Crown Investments Corporation of
Saskatchewan

Second Quarter Financial Report
June 30, 2006

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Introduction

Crown Investments Corporation of Saskatchewan (CIC) is the provincial government's holding company for its commercial Crown corporations. CIC has invested equity in its subsidiary Crown corporations and collects dividends from these corporations. CIC also holds the Province's investment in NewGrade Energy Inc. (NewGrade).

The purpose of the following discussion is to provide users of CIC's financial statements, with an overview of the Corporation's financial performance and the various measures CIC uses to evaluate its financial health. This narrative on CIC's 2006 second quarter financial results should be read in conjunction with the 2005 audited consolidated and non-consolidated financial statements.

To facilitate greater transparency and accountability, CIC prepares two different sets of financial statements: CIC's consolidated financial statements that report on the Crown sector; and CIC's non-consolidated financial statements that reflect its role as a holding corporation for the Province.

CIC Consolidated Financial Statements

These statements show CIC's results consolidated with the results of its subsidiary Crown corporations. The financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and include:

- Financial results of subsidiary Crown corporations:
  Information Services Corporation (ISC), Investment Saskatchewan Inc. (IS), SaskEnergy Incorporated (SaskEnergy), Saskatchewan Development Fund Corporation (SDFC), Saskatchewan Government Growth Fund Management Corporation (SGGF MC), Saskatchewan Government Insurance (SGI), Saskatchewan Opportunities Corporation (SOCO), Saskatchewan Power Corporation (SaskPower), Saskatchewan Telecommunications Holding Corporation (SaskTel), Saskatchewan Transportation Company (STC), and, Saskatchewan Water Corporation (SaskWater);
- CIC's share of NewGrade financial results;
- Costs incurred from its wholly-owned share capital subsidiary Gradworks Inc.;
- Dividends paid by CIC to the General Revenue Fund (GRF); and,
- CIC's operating costs, public policy expenditures and interest income on cash balances.

CIC Non-Consolidated Financial Statements

CIC's non-consolidated financial statements are used by CIC to determine dividend capacity to the Province's GRF. The non-consolidated statements have not been and are not intended to be prepared in accordance with GAAP. These statements are intended to isolate the corporation's cash-flow, capital support for certain subsidiary Crown corporations and public policy expenditures. These financial statements include:

- Dividends of subsidiary Crown corporations (SaskPower, SaskTel, SaskEnergy and SGI);
- Dividends received from NewGrade;
- Dividends paid by CIC to the GRF;
- Grants to subsidiary corporations; and,
- CIC's interest income on cash balances, operating costs and public policy expenditures.

Consolidated Financial Statements

Management's Discussion and Analysis

Major Lines of Business

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are joint ventures and partnerships, held either directly by CIC or through its wholly-owned subsidiaries.

Management's Discussion & Analysis (MD&A) highlights the primary factors that have an impact on the consolidated financial results and operations of CIC. It should be read in conjunction with CIC's unaudited interim consolidated financial statements and supporting notes for the six months ended June 30, 2006. These interim financial statements have been prepared in accordance with the Canadian Institute of Chartered Accountants Handbook Section 1751.

The unaudited interim consolidated financial statements do not contain all the disclosures included in CIC's annual audited consolidated financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with CIC's most recent annual financial statements released on April 27, 2006.

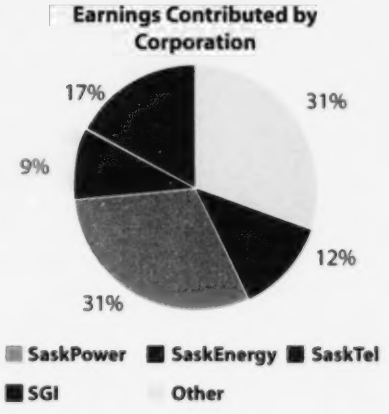
For purposes of the MD&A on CIC's consolidated results, "CIC" refers to the consolidated entity. The following table lists the subsidiaries and investments, including the respective business line, that CIC consolidates in its financial statements.

Investment	Major Business Line	Form of Investment
Saskatchewan Power Corporation (SaskPower)	Electricity	wholly-owned subsidiary
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications	wholly-owned subsidiary
SaskEnergy Incorporated (SaskEnergy)	Natural Gas	wholly-owned subsidiary
Saskatchewan Water Corporation (SaskWater)	Water and Wastewater	wholly-owned subsidiary
Information Services Corporation of Saskatchewan (ISC)	Land and Property Registration Services	wholly-owned subsidiary
Saskatchewan Government Insurance (SGI)	Property and Casualty	wholly-owned subsidiary
Saskatchewan Opportunities Corporation (SOCO)	Infrastructure	wholly-owned subsidiary
Saskatchewan Development Fund Corporation (SDFC)	Mutual Fund	wholly-owned subsidiary
Saskatchewan Government Growth Fund Management Corporation (SGGF MC)	Immigrant Investor	wholly-owned subsidiary
Saskatchewan Transportation Company (STC)	Passenger and Freight Transportation	wholly-owned subsidiary

Utilities | Insurance | Commodity Based Investments | Economic Growth | Transportation

Crown Corporation Earnings (unaudited)
for the six months ended June 30, 2006

$ Millions		
SaskPower	$	81.5
SaskTel		45.4
SaskEnergy		24.8
SGI		32.6
Investment Saskatchewan		31.1
Information Services Corporation		3.8
SaskWater		0.2
STC		0.3
SOCO		2.3
CIC (Non-Consolidated)		43.5
Total	$	265.5



The Corporation's consolidated earnings for the second quarter beginning April 1, 2006 and ending June 30, 2006 were $85.1 million (2005 - $58.8 million). Excluding income tax expense of $12.2 million (2005 - $9.6 million), a gain on discontinued operations of $9.1 million (2005 – loss of $1.1 million) and non-recurring expenses of $0.1 million (2005 - $3.2 million), earnings from ongoing operations for the three month period were $88.2 million (2005 - $72.8 million).

Year to date earnings for the six months ending June 30, 2006 were $265.5 million (2005 - $237.0 million). Increased earnings at SaskPower, NewGrade, Investment Saskatchewan, and SGI were offset by decreases at SaskEnergy and SaskTel. Increased earnings, primarily related to increasing prices for electricity sales at SaskPower, improved differentials between light and heavy crude oil prices at NewGrade and lower insurance claim costs at SGI, were partially offset by higher natural gas costs at SaskEnergy and increased restructuring costs at SaskTel. In addition, the consolidation of certain investments in accordance with new GAAP accounting standards on variable interest entities has increased revenues and expenses, having the most significant impact on the results of Investment Saskatchewan. In accordance with the guideline, management has chosen not to apply this policy to prior year comparative results.

Revenue

Revenues for the first six months of 2006 were $2,127.4 million (2005 - $1,968.6 million), an increase of $158.8 million, primarily the result of increased operating revenues.

Operating revenues for the first six months of 2006 were $2,080.9 million (2005 - $1,916.8 million). The $164.1 million increase was attributable to many factors. First, electricity sales increased as a result of a higher rate charged to customers relative to 2005 as well as increased prices and volumes for electrical exports. Secondly, the consolidation of certain investments, primarily Big Sky Farms Inc., as a result of new GAAP accounting standards increased the reported revenues in 2006. Third, higher market prices for light oil increased revenues at NewGrade. Finally, operating revenues at SaskTel improved significantly in both wireless and diversified business (e.g., data, internet and entertainment services) areas.

Management's Discussion and Analysis (continued)

Revenue (continued)

Investment earnings for the first six months of 2006 were $41.0 million (2005 - $48.5 million). The $7.5 million decrease mainly reflects lower earnings from equity investments at Investment Saskatchewan.

Expenses

Expenses for the first six months of 2006 were $1,847.3 million (2005 - $1,702.3 million), an increase of $145.0 million. The increase was due primarily to the consolidation of certain investments, as mentioned previously, combined with increased costs for electricity trading and increased market prices for natural gas that affected the cost of sales for natural gas sales. As well, restructuring costs and expenditures in support of expanded services increased operating expenses. These increases were partially offset by lower costs associated with insurance claims.

Other

Current and future income tax expense in the first half of the year was $31.6 million (2005 - $24.6 million), an increase of $7.0 million. The increase was primarily due to higher earnings at NewGrade. As well, the Corporation had a $9.1 million gain related to its discontinued operations to June 30 (2005 – loss of $1.6 million) and a $7.8 million gain in non-recurring items (2005 - $3.2 million loss) related to the disposal of its investment in Hypor and the sale of a portion of Centennial Foods Partnership.

Capital Spending

In the first six months of 2006, CIC spent $588.7 million (2005 - $674.0 million) on investment and capital acquisitions. The $85.3 million decrease reflects a $76.6 million decrease in investing activity, due mainly to the timing of investment maturities within SGI's investment portfolio. In addition, SaskPower's purchase of plant and equipment decreased significantly from the prior year due to the timing of capital spending on its Centennial Wind Power Facility. This decrease was partially offset by increased capital spending at SaskTel related to its Next Generation Access Infrastructure program to increase bandwidth.

Debt

Debt at June 30, 2006 was $3,619.1 million (December 31, 2005 - $3,608.5 million), an increase of less than 0.3 per cent.

Utility Bundle Commitment

In the fall of 2003, the government indicated that Saskatchewan families will receive the package of basic utilities including home electricity, home natural gas, basic telephone rates and auto insurance at a total annual cost that is as low or lower than the same package in any other province in Canada. CIC, as the parent company, is monitoring the costs of providing the lowest cost for this bundle of services. Although it cannot be determined if CIC will need to provide a rebate in 2006, the Corporation has budgeted $54.0 million to ensure the commitment is maintained.

Liquidity

CIC and its subsidiary Crowns finance their capital requirements through internally generated cash flow and borrowing. The GRF borrows in capital markets on behalf of Crowns. The GRF has sufficient access to capital markets for anticipated borrowing requirements.

Province of Saskatchewan Credit Ratings on Long-Term Debt as at June 30, 2006	
Moody's Investor Service	Aa2
Standard & Poor's	AA-
Dominion Bond Rating Service	A (high)

[1] On August 4, 2006, Standard & Poor's updated the Province of Saskatchewan's long-term debt ranking to AA from AA-.

Liquidity and Capital Resources

Cash Flow Highlights

$ Millions	for the six months ended	
	June 30, 2006	June 30, 2005
Cash from operations	**$ 526.9**	$ 464.8
Cash used in investing activities	**(209.4)**	(329.6)
Dividend paid	**(221.0)**	(263.0)
Debt proceeds received	**103.6**	372.9
Debt repaid	**(83.4)**	(164.5)
Other financing activities	**0.5**	11.5
Increase in cash	**$ 117.2**	$ 92.1

Operating, Investing and Financing Activities

Cash from operations for the six months ending June 30, 2006 was $526.9 million (2005 - $464.8 million). The $62.1 million increase was primarily due to stronger cash earnings combined with increased non-cash expenses (depreciation and future income tax expense) as well as an improvement in non-cash working capital relative to the same period last year.

Cash used in investing activities for the six months ending June 30, 2006 was $209.4 million (2005 - $329.6 million). The $120.2 million decrease reflects a decrease in investing activity, due mainly to the timing of investment maturities within SGI's investment portfolio. In addition, SaskPower's purchase of plant and equipment decreased significantly from the prior year due to the timing of capital spending on its Centennial Wind Power Facility which was completed in March 2006. This decrease was partially offset by increased capital spending at SaskTel related to its Next Generation Access Infrastructure program to increase bandwidth.

Cash used in financing activities for the six months ending June 30, 2006 was $200.3 million (2005 - $43.0 million). The $157.3 million increase mainly reflects a decrease in proceeds obtained from debt financing. One of the largest factors for decreased debt proceeds was significantly less debt placed by SaskPower in the current year relative to the same period last year as a result of its significant investment in capital projects in 2005. This was partially offset by lower dividends to the GRF ($221.0 million paid in 2006 compared to $263.0 million paid in 2005).

Debt Management

CIC and its subsidiary Crowns prudently manage their debt to maintain and enhance their financial flexibility. The CIC Board has approved debt targets for CIC and its commercial subsidiaries that take into account their individual circumstances and industry benchmarks.

Consolidated Statement of Financial Position

(Unaudited)
(thousands of dollars)

	June 30 2006	December 31 2005
ASSETS		
Current		
Cash	**$ 138,423**	$ 41,229
Short-term investments	**552,683**	684,493
Accounts receivable	**521,600**	651,497
Inventories and prepaid expenses	**340,743**	311,734
Assets from discontinued operations	**375,126**	404,976
	1,928,575	2,093,929
Long-term investments	**672,239**	657,093
Property, plant, and equipment	**5,751,193**	5,688,140
Other assets	**401,260**	419,746
Long-term assets of discontinued operations	**380,874**	389,307
	$ 9,134,141	$ 9,248,215
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Bank indebtedness	**$ 15,520**	$ 17,024
Accounts payable and accrued liabilities	**584,357**	722,123
Notes payable	**98,722**	109,308
Dividend payable to General Revenue Fund	**-**	221,000
Deferred revenue	**207,546**	190,969
Income Taxes payable	**10,588**	18,182
Liabilities from discontinued operations	**162,759**	164,630
Long-term debt due within one year	**218,961**	281,639
	1,298,453	1,724,875
Long-term debt	**3,301,381**	3,217,556
Deferred revenue and other liabilities	**467,534**	468,124
Long-term liabilities from discontinued operations	**426,118**	460,903
	5,493,486	5,871,458
Province of Saskatchewan's Equity		
Equity advances	**1,181,152**	1,181,152
Other equity items	**(3,236)**	(1,627)
Retained earnings	**2,462,739**	2,197,232
	3,640,655	3,376,757
	$ 9,134,141	$ 9,248,215

Commitments and contingencies (Note 3)

(See accompanying notes)

Consolidated Statement of Operations and Reinvested Earnings

(Unaudited)
For The Period
(thousands of dollars)

	2006 April 1 to June 30	2006 January 1 to June 30	2005 April 1 to June 30	2005 January 1 to June 30
REVENUE				
Sales of products and services	**$ 901,897**	**$ 2,080,949**	$ 844,239	$ 1,916,804
Investment	**23,771**	**40,960**	26,539	48,468
Other	**3,661**	**5,520**	1,279	3,323
	929,329	**2,127,429**	872,057	1,968,595
EXPENSES				
Operating costs other than those listed below	**645,165**	**1,456,890**	616,191	1,329,962
Interest	**65,850**	**126,680**	60,980	123,549
Amortization of capital assets	**108,020**	**214,135**	100,018	200,473
Saskatchewan taxes and resource Payments	**22,070**	**49,561**	22,081	48,291
	841,105	**1,847,266**	799,270	1,702,275
Earnings before the following	**88,224**	**280,163**	72,787	266,320
Income tax expense	**(12,177)**	**(31,575)**	(9,644)	(24,621)
Earnings (loss) from discontinued operations	**9,131**	**9,085**	(1,131)	(1,568)
Non-recurring items (Note 4)	**(73)**	**7,834**	(3,170)	(3,170)
NET EARNINGS	**85,105**	**265,507**	58,842	236,961
RETAINED EARNINGS, BEGINNING OF PERIOD	**2,377,634**	**2,197,232**	2,259,619	2,081,500
DIVIDEND TO GENERAL REVENUE FUND	-	-	-	-
REINVESTED EARNINGS, END OF PERIOD	**$ 2,462,739**	**$ 2,462,739**	$ 2,318,461	$ 2,318,461

(See accompanying notes)

Consolidated Statement of Cash Flows

(Unaudited)
For The Period
(thousands of dollars)

	2006 April 1 to June 30	2006 January 1 to June 30	2005 April 1 to June 30	2005 January 1 to June 30
OPERATING ACTIVITIES				
Net earnings	$ 85,105	$ 265,507	$ 58,842	$ 236,961
Items not affecting cash from operations	117,081	246,253	98,348	203,262
	202,186	511,760	157,190	440,223
Net change in non-cash working capital balances related to operations	(29,316)	(24,681)	(66,325)	(9,971)
Cash provided by operating activities from continuing operations	172,870	487,079	90,865	430,252
Cash provided by operating activities from discontinued operations	57,111	39,829	37,707	34,548
Cash provided by operating activities	229,981	526,908	128,572	464,800
INVESTING ACTIVITIES				
Purchase of investments	(82,642)	(327,346)	(213,588)	(403,989)
Proceeds from sales and collections of investments	104,112	383,510	204,275	395,039
Purchase of property, plant, and equipment	(143,086)	(261,350)	(191,046)	(269,991)
Proceeds from sale of property, plant, and equipment	2,037	2,142	50	171
Increase in other assets	(16,864)	(6,356)	(37,519)	(50,864)
Cash used in investing activities	(136,443)	(209,400)	(237,828)	(329,634)
FINANCING ACTIVITIES				
Increase (decrease) in notes payable	11,563	(5,486)	(44,742)	(86,809)
Increase in deferred revenue and other liabilities	300	500	11,479	11,529
Long-term debt proceeds from General Revenue Fund	-	102,398	222,926	372,926
Long-term debt repayments to General Revenue Fund	(20,194)	(40,561)	(52,119)	(62,842)
Long-term debt proceeds from other lenders	1,200	1,200	-	-
Long-term debt repayments to other lenders	(29,337)	(37,307)	(12,071)	(14,841)
Dividend paid to General Revenue Fund	-	(221,000)	-	(263,000)
Cash (used in) provided by financing activities	(36,468)	(200,256)	125,473	(43,037)
NET INCREASE IN CASH DURING PERIOD	57,070	117,252	16,217	92,129
CASH POSITION, BEGINNING OF PERIOD	134,875	74,693	72,467	(3,445)
CASH POSITION, END OF PERIOD	$ 191,945	$ 191,945	$ 88,684	$ 88,684
Cash position consists of:				
Cash from continuing operations	138,423	138,423	120,266	120,266
Bank indebtedness from continuing operations	(15,520)	(15,520)	(34,271)	(34,271)
	122,903	122,903	85,995	85,995
Cash from discontinued operations	69,042	69,042	2,689	2,689
	$ 191,945	$ 191,945	$ 88,684	$ 88,684

(See accompanying notes)

Notes to Consolidated Financial Statements

(Unaudited)

June 30, 2006

1. Summary of Significant Accounting Policies

The interim consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC) do not contain all of the disclosures included in CIC's annual consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with CIC's most recent annual statement released on April 27, 2006.

The preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, and expenses. Actual amounts could differ from these estimates.

The accounting policies used in the preparation of these interim financial statements conform with those used in the most recent annual statements.

a) Consolidation principles and basis of presentation

Certain Saskatchewan provincial Crown corporations are designated as subsidiary Crown corporations of Crown Investments Corporation of Saskatchewan (CIC) under *The Crown Corporations Act, 1993* (the Act). In addition, certain Saskatchewan provincial Crown corporations created under the Act are CIC Crown corporations. The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

In addition to the Crown corporations listed below, the accounts of Gradworks Inc., a wholly-owned share capital subsidiary of CIC, is consolidated in these financial statements.

Separate unaudited interim financial statements for CIC have been prepared on a non-consolidated basis to show the financial position and results of operations of the corporate entity. In addition, separate unaudited interim financial statements for each of the undernoted Crown corporations are prepared and released publicly.

The following Crown corporations have been designated or created as subsidiary Crown corporations of CIC and have been consolidated in these interim financial statements:

Information Services Corporation of Saskatchewan
Investment Saskatchewan Inc.
SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Transportation Company
Saskatchewan Water Corporation

Throughout these interim financial statements the phrase "the Corporation" is used to collectively describe the activities of the consolidated entity.

1. Summary of Significant Accounting Policies (continued)

b) Joint ventures

The Corporation's shares of jointly controlled enterprises included in these interim financial statements are as follows:

Canadian Power Consultants	14%
Centennial Foods Partnership	35%
Cory Cogeneration Funding Corporation	50%
Cory Cogeneration Joint Venture	50%
Foragen Technologies Limited Partnership	33%
Heritage Gas Limited	50%
Hypor B.V. (Note 4)	50%
Hypor LP (Note 4)	50%
NewGrade Energy Inc.	50%

c) Revenue recognition

Revenue from utility and other services is recognized when the services are delivered to customers. The estimate of services rendered but not billed is included in accounts receivable. Revenue from various telecommunications, directory, internet, entertainment and equipment sales are recognized based on access to the Corporation's network and facilities at the rate plans in effect during the period the service is provided. Revenues from insurance premiums written are taken into income over the terms of the related policies which are no longer than twelve months. Revenue from sales of reconstituted and synthetic crude are recorded on the basis of regular meter readings. Revenue from sales of other products is recognized when goods are shipped and title has passed to the customer or based on the right to revenue pursuant to contracts with customers, tenants and clients.

Interest earned on long-term investments is recognized on the accrual basis except where uncertainty exists as to ultimate collection. In cases where collectibility of interest is not reasonably assured, interest income is recorded when it is received, and accrued interest receivable is offset by deferred interest income.

d) Competitive gas sales

Where the Corporation purchases natural gas in the open market at a fixed purchase price and simultaneously enters into agreements to sell this natural gas at a fixed selling price, the gain or loss is recorded at the time the transaction is settled.

In addition, the Corporation may enter into contracts that require either the physical delivery (sale) or receipt (purchase) of natural gas in a future period. Contracts may be structured so that the settlement price is determined in the future at the time of delivery or receipt. Changes in the value of the contract due to a change in market prices up to the date of settlement, are recorded as gains or losses in the period of change.

1. Summary of Significant Accounting Policies (continued)

e) Electricity trading sales

Electricity trading revenues are reported on a gross basis unless the Corporation is acting in the capacity of an agent or broker, in which case revenues are recorded net of purchases. The Corporation acts as a principal in electricity trading transactions taking title to the electricity purchased for resale and assuming the risks and rewards of ownership. Therefore, electricity trading revenues are recorded on a gross basis.

f) Use of estimates

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

2. Status of Crown Investments Corporation of Saskatchewan

Crown Investments Corporation of Saskatchewan was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of *The Crown Corporations Act, 1993*. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan, and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes. Certain jointly controlled enterprises are not Provincial Crown corporations and are subject to Federal and Provincial income taxes.

3. Contingencies

a) The Corporation has various legal matters pending which, in the opinion of management, will not have a material effect on the Corporation's consolidated financial position or results of operations.

b) On August 9, 2005, a proceeding under the Class Actions Act (Saskatchewan) was brought against several Canadian wireless and cellular service providers, including the Corporation. The proceeding involves allegations by wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning system administration fees. The plaintiffs seek unquantified damages from the defendant wireless communications service providers. Similar proceedings have been filed by, or on behalf of, plaintiffs' counsel in other provincial jurisdictions. On July 18, 2006, the Saskatchewan court declined to certify the action as a class action, but granted the plaintiffs leave to renew their application in order to further address certain statutory requirements respecting class actions. The Corporation believes that it has strong defences to the allegations. Should the ultimate resolution of these actions differ from management's assessments and assumptions, a material adjustment to the Company's financial position and the results of the Corporation could result.

c) The corporation has entered into an agreement to invest up to $29.6 million of subordinated debt in a new manufacturing facility in Saskatchewan, contingent upon achievement of certain milestones.

4. Discontinued Operations

Hypor

In February 2006, the Corporation completed the sale of all of its ownership interests in Hypor LP, Hypor B.V. and Euribrid Espana S.A. for proceeds of $15.8 million, resulting in a gain on sale of $5.3 million. The Corporation also received full repayment of the $2.3 million loan advanced to Hypor LP.

Crown Life Insurance Company

In April 2006, the shareholders of Crown Life triggered the second and final close of the sale of Crown Life to Canada Life. The final close will result in the distribution of cash and invested assets to the shareholders, and is expected to take place in late 2006.

Centennial Foods Partnership

In February 2006, the Corporation disposed of its interest of New Food Classics Partnership. During 2006, the Corporation anticipates disposing of its interests in Centennial Foodservice Partnership and Centennial 67 Partnership.

Meadow Lake Pulp Limited Partnership (MLPLP)

On December 28, 2005, MLPLP obtained creditor protection under the Companies' Creditors Arrangement Act ("CCAA"). The CCAA Order provided for a 30 day general stay period that expired on January 27, 2006, and has been extended to September 15, 2006. The stay generally precludes parties from taking any actions against MLPLP for breach of contractual or other obligations. The CCAA process will also provide time in which to investigate all options with respect to the future of the mill including the development of a cost reduction plan and pursuing potential purchasers of the mill.

On January 9, 2006, the Corporation approved the provision of up to $15.0 million in Debtor-in Possession (DIP) financing to the pulp mill. The purpose of this temporary short-term liquidity facility is to assist the pulp mill during its restructuring efforts. The DIP facility is secured by mortgages, general security agreements, share pledges in respect of all shares owned by or on behalf of the Borrowers, and other interests, fixed and floating charge debentures, security interests, hypothecs or equivalent, including without limitation, mortgages on all real property, first in priority against all assets of the pulp mill, subject only to the Administrative Charge and the Directors' Charge as provided in the CCAA Order and to the prior security of HSBC Bank Canada. The Corporation has advanced the full $15.0 million of DIP financing to MLPLP in the first three months of 2006.

The Corporation is continuing its efforts to dispose of its interest in MLPLP during 2006.

5. Saskatchewan Energy Share

In November 2005, the Government of Saskatchewan approved an appropriation of $123.9 million to establish the Saskatchewan Energy Share. The appropriation relates to the period November 1, 2005 to March 31, 2006 as it was designed to assist natural gas consumers in dealing with high natural gas prices during the winter of 2005/2006.

5. Saskatchewan Energy Share (continued)

The Saskatchewan Energy Share included a specific appropriation of $92.0 million to be used by the Corporation to cap the cost of natural gas sold to customers at $7.95 per gigajoule during the period November 1, 2005 to March 31, 2006. For each month during this period, SaskEnergy calculated its actual cost per gigajoule of natural gas and compared this amount to the cap of $7.95 per gigajoule. Based on estimates of sales volumes, the Corporation's actual cost of gas for January, February, and March 2006 was above the cap of $7.95 per gigajoule and accordingly, the Corporation received $20.5 million from the Saskatchewan Energy Share.

Certain natural gas consumers in Lloydminster, Saskatchewan receive their natural gas service from Direct Energy Regulated Services (a supplier based in Alberta). Under the Saskatchewan Energy Share $1.0 million was allocated to provide eligible Lloydminster customers with a one time credit of $200. This credit was provided to these customers in 2006. During the month of March 2006, the Corporation reimbursed Direct Energy Regulated Services for these credits and in turn recovered this amount from the Saskatchewan Energy Share. The cost of this initiative was $0.5 million.

6. Comparative Figures

Certain of the 2005 comparative figures have been reclassified to conform to the current year's presentation.

Non-Consolidated Financial Statements

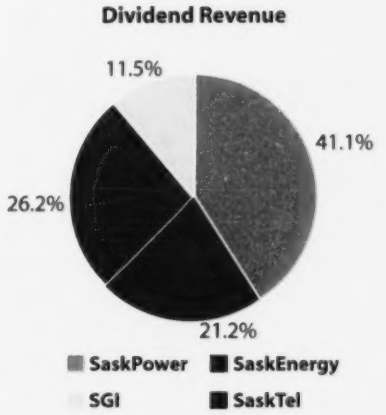
Management's Discussion and Analysis

CIC is the provincial government's holding company for its commercial Crowns. CIC has invested equity in its subsidiary Crown corporations and collects dividends from these corporations based on their profitability. CIC also holds the Province's investment in NewGrade Energy Inc.

This narrative on CIC's non-consolidated June 30, 2006 second quarter results should be read in conjunction with the June 30, 2006 unaudited non-consolidated financial statements.

The unaudited interim non-consolidated financial statements do not contain all the disclosures included in CIC's annual audited non-consolidated financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with CIC's most recent annual non-consolidated financial statements released on April 27, 2006.

For the purposes of this narrative on CIC's non-consolidated financial results, "CIC" refers to the holding company.



CIC Non-Consolidated Second Quarter Earnings (unaudited)		($ Millions)
Dividend Revenue From Crown Corporations		$ 95.4
Add:	Interest and other revenue	3.4
Less:	General, administrative, and other expenses	(6.3)
	Grants to subsidiaries	(6.5)
Total Non-Consolidated Earnings		$ 86.0

Earnings

Earnings for the second quarter of 2006 were $86.0 million (2005 - $116.0 million). Second quarter earnings decreased $30.0 million from the same period in 2005. The $30.0 million decrease is primarily due to a decrease in dividend revenue from CIC's subsidiary Crown corporations of $26.1 million, an increase in grants of $2.9 million, offset by an increase in interest revenue of $1.3 million.

Dividend Revenue

Dividend revenue for the six months ended June 30, 2006 was $95.4 million (2005 - $121.5 million). The $26.1 million decrease was due to lower dividends from SaskTel ($21.9 million), SaskEnergy ($3.9 million), and SaskPower ($0.9 million), partially offset by increased dividends from SGI ($0.6 million).

For the second quarter of each year, dividends from subsidiary Crown corporations are based on 50 percent of their forecasted dividend for the year. The forecasted dividend is calculated under CIC's dividend policy which applies a percentage payout of net earnings based on the overall financial health of the subsidiary Crown and its need for capital investment. For the remaining two quarters, dividend payments will be adjusted based on actual earnings and projections to year end. For the current year, CIC has assumed payout rates of 71 percent of earnings at SaskTel and 65 percent of earnings at SaskPower, SaskEnergy and SGI. These payout rates reflect the need of these subsidiary corporations to retain capital to move to or to maintain their respective industry benchmarked financial structure and to upgrade infrastructure.

CIC's dividend policy does not apply to NewGrade. Dividends from NewGrade are determined by its Board of Directors and are paid to CIC in December of each fiscal year.

Administrative Expenses

Expenses were $6.3 million for the six months ended June 30, 2006 (2005 - $4.1 million). The increase of $2.2 million was due mainly to increased consulting costs and increased costs for salaries and benefits.

During the first six months of 2006, CIC provided $3.0 million in grants to STC (2005 - $2.8 million), $1.6 million (2005 - $Nil) in grants to SaskEnergy to fund the EnerGuide for Houses Matching Grant Program and $1.4 million (2005 - $0.8 million) to Gradworks Inc., a non-profit subsidiary of CIC which provides recent post-secondary with internships in CIC subsidiary Crown corporations.

CIC's 2006 budget includes public policy and grant funding expenditures as follows: $5.0 million in operating grants and $10.7 million in capital grants to STC, of which $8.8 million of the capital grants is allocated for funding the new head office and bus terminal in Regina; $9.6 million of funding to SaskEnergy for the EnerGuide for Houses program; and, $2.7 million of operating grants Gradworks. CIC has also budgeted for $54.0 million in public policy expenditures related to the lowest cost utility bundle commitment.

Liquidity and Capital Resources

Cash Flow Highlights
(thousands of dollars)

	for the six months ended	
	June 30 2006	June 30 2005
Cash from operations	**$ 74.8**	$ 174.2
Cash used in investing activities	**(0.3)**	-
Dividends paid	**(221.0)**	(263.0)
Decrease in cash	**$ (146.5)**	$ (88.8)

Management's Discussion and Analysis (continued)

Liquidity and Capital Resources (continued)

Liquidity

CIC finances its capital requirements through internally-generated cash flow and through borrowing from the GRF. The GRF borrows on CIC's behalf in capital markets.

Operating, Investing and Financing Activities

Cash from operations for the six months ended June 30, 2006 was $74.8 million (2005 - $174.2 million). The $99.4 million decrease was due mainly to lower dividends collected in the second quarter of 2006 compared to 2005. Cash used in investing activities for the six months ended June 30, 2006 was $0.3 million (2005 - $Nil). In November 2005, the government announced that a fund would be set up to assist aspiring entrepreneurs in Saskatchewan. CIC will provide up to $25.0 million to the Saskatchewan Entrepreneurial Fund over the next five years. As of June 30, 2006, CIC has invested $0.25 million in the Saskatchewan Entrepreneurial Fund.

Cash used in financing activities was $221.0 million (2005 - $263.0 million). Financing activities in 2006 consisted of dividends paid to the GRF.

Debt Management

CIC has no debt. As a separate legal entity, CIC does not expect to borrow in 2006.

Outlook and Key Factors Affecting Performance

The key factor affecting CIC's earnings are the level of dividends from commercial subsidiary Crown corporations and its joint venture NewGrade.

Factors affecting the level of dividends from subsidiary Crowns include the level of profits and the application of CIC's subsidiary dividend policy. The CIC Board determines dividends from a commercial subsidiary after allocating cash for reinvestment within the Crown to sustain operations, to grow and to diversify, and for debt reduction if necessary. CIC expects aggregate dividends declared by its commercial subsidiaries in 2006 to be comparable to dividends declared in 2005.

Dividends from NewGrade are determined by its Board of Directors and are based on available surplus cash flow. The most significant factor in determining its profitability is the difference in price between heavy and light crude oil. Given the high differential that exists between current market prices, CIC projects continued strong earnings from NewGrade in 2006.

In the fall of 2003, the government indicated that Saskatchewan families will receive the package of basic utilities including home electricity, home natural gas, basic telephone rates and auto insurance at a total annual cost that is as low or lower than the same package in any other province in Canada. For 2006, CIC has budgeted $54.0 million to ensure the lowest bundle commitment is met.

CIC regularly assesses the appropriateness of the carrying value for its investments, and writes down an investment if it judges there to be a permanent impairment in carrying value. CIC regularly reviews its investments with private sector partners to determine the appropriateness of retention or sale.

Non-Consolidated Statement of Financial Position

(Unaudited)
(thousands of dollars)

	June 30 2006	December 31 2005
Assets		
Current		
Cash and short-term investments	$ 143,094	$ 289,645
Interest and accounts receivable	241	499
Dividends receivable	47,987	35,033
	191,322	325,177
Equity advances to Crown corporations	1,075,382	1,075,382
Investments in share capital corporations	377,719	377,469
Equipment	497	504
	$ 1,644,920	$ 1,778,532
LIABILITIES AND PROVINCE'S EQUITY		
Interest and accounts payable	$ 3,837	$ 2,423
Dividend payable to General Revenue Fund	-	221,000
	3,837	223,423
Province of Saskatchewan's Equity		
Equity advances	1,181,152	1,181,152
Retained earnings	459,931	373,957
	1,641,083	1,555,109
	$ 1,644,920	$ 1,778,532

Commitments (Note 3)
(See accompanying notes)

Non-Consolidated Statement of Operations and Retained Earnings

(Unaudited)
For The Period
(thousands of dollars)

	2006 April 1 to June 30	**2006 January 1 to June 30**	2005 April 1 to June 30	2005 January 1 to June 30
REVENUE				
Dividend (Note 4)	**$ 47,987**	**$ 95,387**	$ 60,085	$ 121,526
Interest	**948**	**3,359**	620	2,129
Other	**7**	**37**	5	17
	48,942	**98,783**	60,710	123,672
EXPENSES				
General, administrative and other	**3,779**	**6,197**	2,086	3,952
Depreciation	**59**	**94**	74	133
	3,838	**6,291**	2,160	4,085
Earnings before the following	**45,104**	**92,492**	58,550	119,587
Grant to Saskatchewan Transportation Company	**(1,800)**	**(3,000)**	(1,600)	(2,800)
Grant to SaskEnergy	**(600)**	**(1,600)**	-	-
Grant to Gradworks Inc.	**(596)**	**(1,441)**	(549)	(772)
Other grant funding	**(82)**	**(477)**		-
NET EARNINGS	**42,026**	**85,974**	56,401	116,015
RETAINED EARNINGS, BEGINNING OF PERIOD	**417,905**	**373,957**	406,434	346,820
	459,931	**459,931**	462,835	462,835
DIVIDEND TO GENERAL REVENUE FUND	**-**	**-**	-	-
RETAINED EARNINGS, END OF PERIOD	**$ 459,931**	**$ 459,931**	$ 462,835	$ 462,835

(See accompanying notes)

Non-Consolidated Statement of Cash Flows

(Unaudited)
For The Period
(thousands of dollars)

	2006 April 1 to June 30	**2006 January 1 to June 30**	2005 April 1 to June 30	2005 January 1 to June 30
OPERATING ACTIVITIES				
Net earnings	**$ 42,026**	**$ 85,974**	$ 56,401	$ 116,015
Add (deduct) non-cash items:				
Depreciation	**59**	**94**	74	133
	42,085	**86,068**	56,475	116,148
Net change in non-cash working capital balances related to operations	**732**	**(11,284)**	928	58,074
Cash provided by operating activities	**42,817**	**74,784**	57,403	174,222
INVESTING ACTIVITIES				
Purchase of investments	**(250)**	**(250)**	-	-
Purchase of equipment	**(66)**	**(85)**	(39)	(75)
Cash used in investing activities	**(316)**	**(335)**	(39)	(75)
FINANCING ACTIVITIES				
Dividend paid	**-**	**(221,000)**	-	(263,000)
Cash used in financing activities	**-**	**(221,000)**	-	(263,000)
NET CHANGE IN CASH DURING PERIOD	**42,501**	**(146,551)**	57,364	(88,853)
CASH POSITION, BEGINNING OF PERIOD	**100,593**	**289,645**	99,120	245,337
CASH POSITION, END OF PERIOD	**$ 143,094**	**$ 143,094**	$ 156,484	$ 156,484

(See accompanying notes)

Notes to Non-Consolidated Financial Statements

(Unaudited)

June 30, 2006

1. Summary of Significant Accounting Policies

The interim non-consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC) do not contain all of the disclosures included in CIC's annual non-consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with CIC's most recent annual statement released on April 27, 2006.

The accounting policies used in the preparation of these interim financial statements conform with those used in the most recent annual statements.

2. Status of Crown Investments Corporation of Saskatchewan

The Government Finance Office was established by Order in Council 535/47 dated April 2, 1947, and was continued under the provision of *The Crown Corporations Act, 1993* (the Act), as Crown Investments Corporation of Saskatchewan. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes.

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following corporations have been designated or created by Order in Council:

Information Services Corporation of Saskatchewan
Investment Saskatchewan Inc.
SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Telecommunications
Saskatchewan Transportation Company
Saskatchewan Water Corporation

In addition to the above Crown corporations CIC is the sole member of Gradworks Inc., a non-profit corporation.

3. Commitments

CIC has agreed to fund, through capital grants, Saskatchewan Transportation Company's new head office and terminal facilities in Regina. CIC is expecting to fund $8.8 million of the commitment in 2006.

4. Dividend Revenue

Dividend revenue consists of the following: (thousands of dollars)

	2006	2005
Saskatchewan Telecommunications Holding Corporation	**$ 25,000**	$ 46,914
Saskatchewan Power Corporation	**39,195**	40,105
SaskEnergy Incorporated	**20,200**	24,100
Saskatchewan Government Insurance	**10,992**	10,407
	$ 95,387	$ 121,526